



December 4, 2015

AR 15-08

MEMORANDUM

To: Lisa J. Stevenson
Deputy General Counsel - Law

Through: Alec Palmer
Staff Director

From: Patricia C. Orrock
Chief Compliance Officer

Patricia C. Orrock

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for Douglas A. Kodish
Audit Manager

Douglas A. Kodish

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By: Jeff Spilizewski
Lead Auditor

Jeffrey Spilizewski

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Subject: Committee for Charlotte/Charlotte DNC Host Committee - Referral Matters

On November 18, 2015, the Commission approved the Proposed Final Audit Report on the Committee for Charlotte/Charlotte DNC Host Committee. The report was released to the public on December 4, 2015. In accordance with the Materiality Thresholds for Title 26 Convention Committees, the Final Audit Report of the Commission includes a finding that meets the criteria for referral to the Office of General Counsel.

Finding 1 – Recordkeeping for In-Kind Contributions: Amount in Violation (\$2,878,882); Calendar Years (2011 and 2012)

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Jeff Spilizewski or Douglas Kodish at 694-1200.

Attachments: Finding 1. Recordkeeping for In-Kind Contributions
Designation of Counsel

10044400000

Finding 1. Recordkeeping for In-Kind Contributions

Summary

The Audit staff identified 23 in-kind contributions provided by corporations, commercial vendors, and individual contributors totaling \$2,878,882 that lacked the required supporting documentation. In response to the Preliminary Audit Report recommendation, CFC provided some internally developed supporting documentation for a portion of its in-kind contributions, but the reported amounts still remained unverified and the finding unresolved. In response to the Draft Final Audit Report, a CFC representative stated that he was trying to obtain and provide additional in-kind documentation.

The Commission approved a finding that CFC failed to maintain appropriate documentation to support reported in-kind contributions totaling \$2,878,882.

Legal Standard

- A. Receipts and disbursements of municipal funds.** Municipal funds may accept goods or services from commercial vendors for convention uses under the same terms and conditions (including reporting requirements) set forth at 11 CFR 9008.9 for convention committees. Businesses (including banks), labor organizations, and other organizations and individuals may donate funds or make in-kind donations to a municipal fund to pay for expenses listed in 11 CFR 9008.52(b). 11 CFR §9008.53.
- B. Recordkeeping for goods and services from commercial vendors for promotional consideration.** Commercial vendors may sell, lease, rent or provide their goods or services to the national committee with respect to a presidential nominating convention at reduced or discounted rates, or at no charge. The convention committee shall maintain documentation showing:
- the goods or services provided;
 - the date(s) on which the goods or services were provided;
 - the terms and conditions of the arrangement; and
 - what promotional consideration was provided. 11 CFR §9008.9(b)(4).
- C. Valuation of In-Kind Contributions.** The amount of an in-kind contribution shall be equal to the usual and normal value on the date received. 11 CFR §104.13(a)(1).
- D. Formal Requirements Regarding Reports and Statements.** Each political committee shall maintain records with respect to the matters required to be reported which shall provide in sufficient detail the necessary information and data from which the filed reports may be verified, explained, clarified, and checked for accuracy and completeness. 11 CFR §104.14(b)(1).

E. Recordkeeping Requirements for Receipts. The treasurer of a political committee shall keep an account of:

- All contributions received by or on behalf of the committee;
- The name and address of any person who makes a contribution in excess of \$50, together with the date and amount of the contribution; and
- The occupation and name of employer of any individual whose contributions aggregate more than \$200 during a calendar year, together with the date and amount of any such contributions. 11 CFR §102.9(a).

F. Preserving Documents. Committees must preserve these records for 3 years after a report is filed. 11 CFR §102.9(c).

Facts and Analysis

A. Facts

The Audit staff identified 23 in-kind contributions totaling \$2,878,882 that lacked the required supporting documentation. The in-kind contributions consisted of goods and services provided by commercial vendors, corporations, and individuals. Approximately half of the in-kind contributions totaling \$1,557,053 originated from one corporation.

Documentation supporting the amount of in-kind contributions reported were receipt and disbursement databases and a few internal tracking forms that stated the amount of the contribution, the line item to be utilized in its recording, and in one case, a contract reference.¹ However, no internal computational worksheets or documentation from contributors was provided that would allow for verification of the amounts reported. Also, in-kind contributions having some promotional consideration were not specifically identified or valued. During fieldwork, the Audit staff asked CFC representatives for additional in-kind documentation. CFC stated it was available and would be provided, but no additional documentation was sent.

B. Preliminary Audit Report & Audit Division Recommendation

At the exit conference, the Audit staff discussed and provided a list of in-kind contributions for which CFC had not provided supporting documentation. CFC representatives acknowledged the missing support for in-kind contributions and stated they would locate and provide the required documentation.

The Preliminary Audit Report recommended that CFC obtain and provide documentation to support the in-kind contributions.

C. Committee Response to Preliminary Audit Report

In response to the Preliminary Audit Report recommendation, CFC provided in-kind contribution documentation. The in-kind documentation consisted of four internally generated "tracking forms,"² totaling \$1,264,477, and an internal draft schedule that

¹ The contractual information did not provide the type information needed to verify the amounts reported.

² This tracking form provided mostly information that was similar to the information found in CFC's database. The information consisted of the following: donor information, a description of the item or service provided, the proposed value, a budget line item, and a place for different committee signatures. All tracking forms were unsigned.

The schedules and forms CFC provided did not include any documentation from the contributors, worksheet calculations, or any other details that would allow for verification of the in-kind contributions reported. In addition, \$757,676, still remains without supporting documentation. Because the documentation CFC provided did not allow for the verification of the in-kind contributions reported, along with the absence of documentation for the remaining in-kind contributions reported, this finding remains unresolved.

The Draft Final Audit Report acknowledged that CFC provided in-kind contribution documentation, but stated the documentation was insufficient to resolve the finding.

In response to the Draft Final Audit Report, a CFC representative stated that he was trying to obtain and provide additional in-kind documentation.

On September 17, 2015, the Commission considered the Audit Division Recommendation Memorandum in which the Audit staff recommended that the Commission adopt a finding that CFC failed to maintain appropriate documentation to support reported in-kind contributions totaling \$2,878,882.

The Commission approved the Audit staff's recommendation.



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STATEMENT OF DESIGNATION OF COUNSEL
Please use one form for each Auditee/Client
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Audit:

NAME OF COUNSEL: JOSEPH SANDLER
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The above-named individual and/or firm is hereby designated as my
counsel and is authorized to receive any notifications and other communications
from the Commission and to act on my behalf before the Commission.

12/14/12 [Signature] EXECUTIVE DIRECTOR
Date Auditee/ Client Signature Title

1) COMMITTEE FOR CHARLOTTE 2012
2) NEW AMERICAN CITY
AUDITEE/CLIENT:

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Information is being sought as part of an investigation being conducted by the Federal Election
Commission and the confidentiality provisions of 2 U.S.C. § 437g(a)(12)(A) apply. This section
prohibits making public any investigation conducted by the Federal Election Commission without
the express written consent of the person under investigation

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FEDERAL ELECTION COMMISSION
Washington, DC 20463



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Statement of Designation of Counsel

Provide one form for each Respondent/Witness
FAX 202-219-3923

CASE #: AR 15-08

Name of Counsel: Neil Reiff

Firm: Sandler, Reiff, Lamb, Rosenstein & Birkenstock, P.C.

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The above-named individual and/or firm is hereby designated as my counsel and is authorized to receive any notifications and other communications from the Commission and to act on my behalf before the Commission.

1/20/16
Date

[Signature]
Signature

TREASURER
Title

RESPONDENT:

Committee for Charlotte/Charlotte DNC Host Committee
(Committee Name/Company Name/Individual Named In Notification Letter)

Harry Gantt,
as Treasurer

MAILING ADDRESS:

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This form relates to a Federal Election Commission matter that is subject to the confidentiality provisions of 52 U.S.C. § 30109(a)(12)(A). This section prohibits making public any notification or investigation conducted by the Federal Election Commission without the express written consent of the person receiving the notification or the person with respect to whom the investigation is made.